

LOCAL AGENCY FORMATION COMMISSION COUNTY OF SAN BERNARDINO

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DATE: JANUARY 9, 2007

FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer
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TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item # 8: Mid-Year Budget Review (July 1, 2006 through
December 31, 2006)

RECOMMENDATION:

LAFCO staff recommends that the Commission:

1. Authorize contracting with Alcock and McFadden, Human Resource Consultants to the Commission, to begin a recruitment process for the Clerk to the Commission position, with direction to staff to return at the February Hearing with an outline of recruitment costs, timing, and dual-appointment costs for training purposes.
2. Adopt Resolution 2953 reconfirming tax pick-ups for required employee retirement contributions and elective service credit purchases.
3. Direct staff to notify the Cities, Special Districts and existing applicants that Department of Fish and Game Fees and the County Document Handling Fees have increased, effective January 1, 2007, and will be applied to all active applications and future submittals.

BACKGROUND:

Staff is presenting the Commission with its mid-year review of the budget and information regarding forecasts for the balance of the Fiscal Year.

First, staff has prepared a spreadsheet summarizing expenditures and revenues for the period from July 1, 2006 through the end of the second quarter, December 31, 2006 (Attachment #1). The spreadsheet indicates that the Commission has incurred 60.22% of its anticipated expenditures and has received 91.56% of its anticipated revenues. The following information provides a discussion of these revenues and expenditures.

Expenditures

Although 60% of expenditures have been incurred, total expenditures are generally on target for the Fiscal Year. Expenditures within the 1000 series of accounts (Salaries and Benefits) are at 49.37% of overall appropriation authority. Within these categories the one account significantly higher than forecast was the payment of Workers' Compensation premiums (Account 1235). However, the expenditures in this account have been paid for the first three quarters of the Fiscal Year.

In addition, staff has been notified that Debby Chamberlin, Clerk to the Commission, will be retiring at the end of June 2007. Staff is at this time requesting authorization to contract with Alcock & McFadden, Human Resource Consultants to the Commission, to begin the recruitment process for this position. Staff anticipates an approximate six-week to two-month overlap of employees for training purposes once a candidate is chosen. Dependent upon the timing of this recruitment, transfer of contingency funds to the 1000 Series will be necessary this Fiscal Year. The Commission may need to transfer reserve funds in order to cover these costs. A more detailed outline of this process will be brought back to the Commission at the next hearing to review the anticipated costs.

Expenditure items sensitive to activity levels (which include postage, printing, and Legal Counsel) in addition to one-time payments, have brought expenditures within the 2000 series of accounts (Services and Supplies) to 76.92% of appropriation authority. The expenditure estimates identified on the spreadsheet include:

- CEQA litigation related to the San Bernardino Valley Water Conservation District sphere of influence decision has incurred costs this Fiscal Year totaling \$51,358 (Account 2400 Legal Counsel). Excluding these litigation costs, Legal Services has incurred roughly 50% (\$24,995) of its budget appropriation.
- Full year and one-time payments totaling \$55,917 related to the move to our new office location, Memberships, Insurance, COWCAP charges, technology upgrades, and travel to the CALAFCO conference.

- Encumbered amounts, with payments in process, are for the purchase of the digital archiving system. The encumbered amount totaling \$20,258 is shown in the following line items:
 - Account 2115 -- Computer Software ("Laserfiche" digital archiving system - \$7,564).
 - Account 2445 -- Other Professional Services (conversion of former digital archiving system to Laserfiche and scanning of additional closed files - \$12,694).
- The elevated costs for increased Commission activity level are identified as follows:
 - LAFCO 3048 and 3048A (Fontana Islands) have incurred roughly \$19,900 for printing and postage (postage - \$9,870 and printing - \$9,984) to date.
 - Costs attributable to FY 05-06 but charged in FY 06-07 totaling \$1,516 (\$708-postage and \$808-printing).
 - LAFCO 2991 et al. (consolidation of Baldy Mesa Water District/Victor Valley Water District) have incurred costs of \$5,000 to Orange LAFCO for consulting services to date shown in Account 2445 (Other Professional Services).
 - \$4,317 in Registrar of Voters charges for 48 separate islands, of which approximately \$3,330 is related to the Fontana Islands proposals, have been incurred to date in Account 2445 (Other Professional Services).
 - \$21,600 in Surveyor charges for 48 separate islands, of which approximately \$14,400 is related to the Fontana Islands.

Given these one-time, full-year, and reimbursable costs, expenditures are generally on target for the Fiscal Year. However, significant publication and printing costs are anticipated for the upcoming months as the Commission begins its consideration of the proposals related to the Baldy Mesa Water District/Victor Valley Water District Consolidation (LAFCO 2991 et al.), the County Fire Reorganization, and the formation of the Phelan Pinon Hills Community Services District. Staff will monitor closely the monthly expenditures to make sure that costs are reported appropriately.

Revenues

The Commission has received 91.56% of its anticipated revenues as outlined in the adopted budget. The revenue receipts include the mandatory payments from the County, all of the cities and all of the independent special districts billed by the County Auditor/Controller.

Revenues within the fee and deposit categories are exceeding expectations as illustrated by the percentage of receipts for Total Fee Revenue (61.60% of yearly estimate); although, the fees and deposits that comprise Total Fee Revenue vary, depending on the type of proposal. As an illustration, Account 9660 (EIR Consultation) is below the mid-year benchmark of 50% at 22.45%; however, this amount does not include roughly \$12,000 in carryover from last year for deposits for active proposals.

A significant source of revenue to the Commission is its proposal activity. Attachment #2 to this report charts a comparison of the Commission's proposal-type activity through December 20, 2006. The chart indicates that nine proposals were received for the first half of the year. However, during this period LAFCO actually received 13 proposals. The Cities of Colton and Hesperia combined submitted and subsequently withdrew four "island" proposals. Refunds due these proposals total \$16,976 and will be paid out of Account 9910 (Refunds from Prior Year Revenue). The breakdown of the refunds is outlined as follows:

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| • LAFCO 3061, City of Colton, 7 islands | \$10,508 |
| • LAFCO 3062, City of Hesperia, High Country Island | \$ 2,156 |
| • LAFCO 3063, City of Hesperia, Mesquite/Topaz Island | \$ 2,156 |
| • LAFCO 3064, City of Hesperia, Cedar/Coyote Island | \$ 2,156 |

LAFCO/EDA SHARED POSITION:

During the Commission's deliberation on the 2006-07 budget, staff was authorized to proceed with sharing a GIS Tech II position with the County Economic Development Agency (EDA). Staff was to negotiate a contract with EDA to share funding of a GIS Tech II following LAFCO's move to our new office location. As explained during that April hearing, management at EDA expressed interest in sharing the costs of a GIS Tech II position with LAFCO. EDA and LAFCO staffs agreed that EDA would hire the GIS Tech following the adoption of the County's budget, provide for the office space and needed equipment, and pay for one-half of the salary and benefits of the position. LAFCO staff estimated its share of the cost at \$33,100 and funding was provided in Account 5010.

At the time of the preparation of this report, EDA has acquired a list of applications and is preparing to interview candidates. It has been agreed that the initial interview panel will include a member of EDA staff, a LAFCO staff representative and a representative of the County's Geographic Information Management System (GIMS). LAFCO staff, at this time, anticipates the GIS Tech II position to be filled by March 2007. Therefore, only four months (one third of the year) of the anticipated yearly costs for this position are anticipated to be billed to LAFCO, at an estimated cost of \$11,000. Costs not expended in Account 5010 would be carried over into FY 2007-08 as a general revenue amount. Staff will update the progress of the hiring at the hearing, which will be followed by a formal agreement for funding.

This leaves staff with the problem of seeking alternative methods to acquire the demographic and spatial information needed for proposals being processed in the interim – Municipal Service Review for the City of Victorville, County Fire Reorganization, and the formation of the Phelan Pinon Hills Community Services District. At this time, staff is exploring outside opportunities to fulfill these needs for the near future.

**SAN BERNARDINO COUNTY EMPLOYEE RETIREMENT ASSOCIATION
(SBCERA) CONTRIBUTIONS:**

Mr. Timothy Barrett, General Manager of SBCERA recently notified LAFCO staff of the requirement for adoption of new resolutions authorizing payment for pick-up of employee (member) retirement costs. This request has been prompted by a recent Internal Revenue Service (IRS) ruling on tax pick-ups of member contributions to retirement funds that directly affects both employers and public pension plans. This ruling (IRS Rev. Rul 2006-43) repeats previous guidance but issues a firm reminder for those not in compliance with Section 414(h)(2) of the Internal Revenue Code. Non-compliance would expose each employee to tax on their contributions, and the employer would be exposed to taxes on contributions. The IRS has given a grace period until 2009 to fix outstanding, but not operational, problems.

While LAFCO has passed previous resolutions regarding pick-ups, the SBCERA recommends that LAFCO pass two resolutions authorizing its employees to make retirement contributions and service credit purchases to SBCERA on a pre-tax basis. The first requested resolution is a reconfirmation of pick-ups for required employee retirement contributions and elective service credit purchases. Staff is recommending that the Commission adopt this resolution reflecting existing practices and its adopted Benefits Plan.

However, SBCERA is also requesting the adoption of a resolution reflecting a new type of retirement pick-up for redeposits and elective purchase of

additional retirement credit and sick leave. Staff needs additional time to review the implications of this request on the Commission's existing adopted Benefit Plan. Therefore, staff will evaluate this request further and return at a later hearing to review the matter in detail with the Commission, currently anticipated to be a part of the 2007-08 Budget discussion.

Therefore, staff recommends that the Commission adopt LAFCO Resolution 2953 (a draft copy included as part of Attachment #3) related to existing member contributions to retirement funds and direct staff to return with further information on the resolution requested for redeposits and elective purchases of retirement credits and any necessary Benefit Plan amendments required.

UPDATE OF STATE DEPARTMENT OF FISH AND GAME FEES:

On December 19th, staff received notification from the County Clerk of the Board office that the Department of Fish and Game Fees and document handling charges for filing environmental documents would be increased in all four categories (copy included as Attachment #4). The new fees are:

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| 1. Negative Declaration | \$1,850 (increased from \$1,250) |
| 2. Environmental Impact Report | \$2,500 (increased from \$850) |
| 3. Notice of Determination | \$50 (increased from \$35) |
| 4. Notice of Exemption | \$50 (increased from \$25) |

As our adopted Fee Schedule acknowledges that our environmental fees are deposits against direct costs, it also includes under Item #4 an outline of each of these fee categories. Staff is recommending that the Commission direct staff to notify the cities, special districts, and applicants that as of January 1, 2007 these charges will increase.

Staff will be happy to respond to any questions on the information provided in this report prior to or at the hearing.

KRM/mt

Attachments:

1. [Mid-Year Status Report Spreadsheet - Expenditures and Revenues](#)
2. Chart Illustrating Proposal Activity through December 20, 2006
3. October 17, 2006 Letter from Mr. Timothy Barrett, Executive Director of SBCERA, and Draft Resolution 2953
4. December 14, 2006 Notification of Increase in State Fish and Game Fees and Clerk of the Board Documentary Handling Fees